

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Grand Ledge	County Eaton
Fiscal Year End June 30, 2006	Opinion Date August 24, 2006	Date Audit Report Submitted to State October 24, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

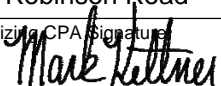
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 517-787-6507		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673



**City of Grand Ledge,  
Michigan**

**Financial Statements**

**For The Fiscal Year Ended  
June 30, 2006**



**REHMANN ROBSON**

*Certified Public Accountants*

**CITY OF GRAND LEDGE, MICHIGAN**  
**For the Fiscal Year Ended June 30, 2006**

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**CITY OF GRAND LEDGE, MICHIGAN**  
**For the Fiscal Year Ended June 30, 2006**

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT**

August 24, 2006

The Honorable Mayor and  
Members of the City Council  
City of Grand Ledge  
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF GRAND LEDGE, MICHIGAN** as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grand Ledge's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Grand Ledge Area Emergency Services Authority (GLAESA), which represents 20.7% of the assets and 48.7% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the GLAESA, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Grand Ledge, Michigan*, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Ledge's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION and ANALYSIS

## Management's Discussion and Analysis

As management of the *City of Grand Ledge, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$16,669,588 (*net assets*). Of this amount, \$2,182,436 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$331,129.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,651,617, a decrease of \$295,323 in comparison with the prior year, all of which is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$393,922 or 15.2% of total general fund revenues and other financing sources.
- The City's total bonded debt decreased by \$479,715 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.



The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, and recreation and culture. The business-type activities of the City include water and sewer enterprise operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, local street and 2004 capital improvement funds, which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-23 of this report.

***Proprietary funds.*** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment maintenance and employee benefits services. Because these services predominantly benefit governmental rather than business-type functions, they have been largely included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer systems fund, which is considered to be a major fund of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 28 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-52 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 53-68 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Grand Ledge, assets exceeded liabilities by \$16,669,588 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (85.1 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Grand Ledge's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 1,861,202	\$ 2,352,243	\$ 4,900,814	\$ 7,757,118	\$ 6,762,016	\$ 10,109,361
Capital assets	9,305,557	8,526,642	12,041,680	10,057,063	21,347,237	18,583,705
Total assets	11,166,759	10,878,885	16,942,494	17,814,181	28,109,253	28,693,066
Long-term liabilities outstanding	2,416,297	2,391,948	8,564,426	8,918,472	10,980,723	11,310,420
Other liabilities	183,886	351,141	275,056	693,046	458,942	1,044,187
Total liabilities	2,600,183	2,743,089	8,839,482	9,611,518	11,439,665	12,354,607
Net assets:						
Invested in capital assets, net of related debt	7,122,477	6,333,242	7,059,613	7,608,704	14,182,090	13,941,946
Restricted	305,062	117,631	-	-	305,062	117,631
Unrestricted	1,139,037	1,684,923	1,043,399	593,959	2,182,436	2,278,882
Total net assets	\$ 8,566,576	\$ 8,135,796	\$ 8,103,012	\$ 8,202,663	\$ 16,669,588	\$ 16,338,459

An additional portion of the City's net assets (1.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (13.1 percent or \$2,182,436) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$331,129 during the current fiscal year. This increase is largely attributable to a reduction in contributions to component units.

### City of Grand Ledge's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue:						
Program revenue:						
Charges for services	\$ 510,163	\$ 650,325	\$ 2,135,176	\$ 2,057,290	\$ 2,645,339	\$ 2,707,615
Operating grants and contributions	647,674	749,240	-	-	647,674	749,240
Capital grants and contributions	65,284	-	-	158,296	65,284	158,296
General revenue:						
Property taxes	2,058,812	1,996,491	-	-	2,058,812	1,996,491
Grants and contributions not restricted to specific programs	751,524	758,358	-	-	751,524	758,358
Other	93,214	65,812	214,767	34,697	307,981	100,509
Total revenue	4,126,671	4,220,226	2,349,943	2,250,283	6,476,614	6,470,509
Expenses:						
General government	646,046	972,397	-	-	646,046	972,397
Public safety	1,688,758	2,052,705	-	-	1,688,758	2,052,705
Highways and streets	982,695	831,794	-	-	982,695	831,794
Recreation and culture	276,104	239,952	-	-	276,104	239,952
Interest on long-term debt	102,288	91,452	-	-	102,288	91,452
Water and sewer	-	-	2,449,594	1,871,584	2,449,594	1,871,584
Total expenses	3,695,891	4,188,300	2,449,594	1,871,584	6,145,485	6,059,884
Increase in net assets before transfers	430,780	31,926	(99,651)	378,699	331,129	410,625
Transfers	-	125,136	-	(125,136)	-	-
Increase (decrease) in net assets	430,780	157,062	(99,651)	253,563	331,129	410,625
Net assets - beginning of year, as restated	8,135,796	7,978,734	8,202,663	7,949,100	16,338,459	15,927,834
<b>Net assets - end of year</b>	<b>\$ 8,566,576</b>	<b>\$ 8,135,796</b>	<b>\$ 8,103,012</b>	<b>\$ 8,202,663</b>	<b>\$ 16,669,588</b>	<b>\$ 16,338,459</b>

**Governmental activities.** Governmental activities increased the City's net assets by \$430,780, accounting for 130.1% of the total growth in the net assets of the City. This represents a 5.3% increase in governmental activities net assets.

**Business-type activities.** Business-type activities decreased the City's net assets by \$99,651. This decrease is primarily due to a \$158,000 decrease in capital grants and contributions.

## **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,651,617, a decrease of \$295,323 from the prior year, all of which constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was \$393,922, all of which was unreserved, undesignated. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund revenues. Unreserved fund balance represents 15.2 percent of total general fund revenues and other financing sources. Unreserved fund balance decreased by \$20,902 during the current fiscal year, which was \$55,688 less than planned use of fund balance as provided in the final budget.

The local street fund reported a decrease in total fund balance of \$133,286. Final budget estimates anticipated higher expenditures than actually occurred.

The 2004 capital improvement fund was established during the prior fiscal year to account for the proceeds of the \$1,135,000 capital improvement bonds issued for street improvements. At the end of the current fiscal year, all of those proceeds were expended and the fund had no fund balance.

***Proprietary funds.*** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer enterprise fund at the end of the year amounted to \$1,010,898. The fund had a decrease in net assets for the year of \$118,642. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor. Changes between original and final budget balances result from the carryover of certain budget appropriations under the City's budgetary policies and several supplemental appropriations.

For the year, general fund budgetary estimates for revenues and expenditures were greater than actual, resulting in a net decrease in fund balance that was \$55,688 less than anticipated in the final amended budget.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounted to \$21,347,237 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles and equipment, park facilities, roads, highways, and bridges. Net capital assets for governmental activities increased 9.1%, and for business-type activities increased by 19.7%. Overall, total net capital assets for the City increased 14.9%.

Major capital asset events during the current fiscal year included infrastructure additions of over \$679,000 and water and sewer system additions of over \$2,418,000.

### City of Grand Ledge's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 1,319,684	\$ 1,162,549	\$ 466,213	\$ 466,214	\$ 1,785,897	\$ 1,628,763
Land improvements	1,433,849	1,475,659	-	-	1,433,849	1,475,659
Buildings and systems	1,205,580	1,263,156	11,359,378	9,229,601	12,564,958	10,492,757
Equipment	485,056	316,977	216,089	361,248	701,145	678,225
Infrastructure	4,861,388	4,308,301	-	-	4,861,388	4,308,301
<b>Total</b>	<b>\$ 9,305,557</b>	<b>\$ 8,526,642</b>	<b>\$ 12,041,680</b>	<b>\$ 10,057,063</b>	<b>\$ 21,347,237</b>	<b>\$ 18,583,705</b>

Additional information on the City's capital assets can be found in Note 3-C. on pages 40-42 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$10,102,602. Of this amount, \$9,502,602 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

**City of Grand Ledge's Outstanding Debt**  
General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$1,812,602	\$1,927,317	\$ -	\$ -	\$ 1,812,602	\$ 1,927,317
Revenue bonds	-	-	600,000	680,000	600,000	680,000
Capital lease (Eaton County)	-	-	7,690,000	7,975,000	7,690,000	7,975,000
<b>Total</b>	<b>\$1,812,602</b>	<b>\$1,927,317</b>	<b>\$ 8,290,000</b>	<b>\$8,655,000</b>	<b>\$10,102,602</b>	<b>\$10,582,317</b>

The City's total bonded debt decreased by \$479,715 (4.5 percent) during the current fiscal year.

The City's underlying credit rating for its general obligation unlimited tax bonds is currently A- as rated by Standard & Poors.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$24,437,277, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3-F. on pages 43-49 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2006-07 fiscal year:

- No growth in state shared revenue.
- Limited growth in total controlled revenues.
- Inflationary trends in the region are comparable to national indices.

During the current fiscal year, unreserved undesignated fund balance in the general fund decreased by \$20,902 to \$393,922.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 200 East Jefferson, Grand Ledge, Michigan 48837-1537.



## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**City of Grand Ledge, Michigan**  
**Statement of Net Assets**  
**June 30, 2006**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,460,468	\$ 4,076,238	\$ 5,536,706	\$ 722,881
Receivables	381,436	656,984	1,038,420	48,607
Internal balances	(32,501)	32,501	-	-
Prepaid items and other assets	51,799	135,091	186,890	2,885
Capital assets not being depreciated	1,319,684	466,213	1,785,897	3,159,910
Capital assets being depreciated, net	7,985,873	11,575,467	19,561,340	1,771,769
<b>Total assets</b>	<b>11,166,759</b>	<b>16,942,494</b>	<b>28,109,253</b>	<b>5,706,052</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	136,132	185,559	321,691	282,604
Accrued interest payable	31,366	89,497	120,863	103,335
Unearned revenue	16,388	-	16,388	440,569
Long-term liabilities:				
Due within one year	234,214	364,102	598,316	564,715
Due in more than one year	2,182,083	8,200,324	10,382,407	6,129,979
<b>Total liabilities</b>	<b>2,600,183</b>	<b>8,839,482</b>	<b>11,439,665</b>	<b>7,521,202</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	7,122,477	7,059,613	14,182,090	993,266
Restricted for:				
Debt service	8,970	-	8,970	21,268
Capital projects	207,559	-	207,559	199,975
Perpetual care - expendable	11,742	-	11,742	-
Perpetual care - nonexpendable	76,791	-	76,791	-
Unrestricted (deficit)	1,139,037	1,043,399	2,182,436	(3,029,659)
<b>Total net assets (deficit)</b>	<b>\$ 8,566,576</b>	<b>\$ 8,103,012</b>	<b>\$ 16,669,588</b>	<b>\$ (1,815,150)</b>

The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge, Michigan**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 646,046	\$ 357,960	\$ 6,397	\$ 65,284	\$ (216,405)
Public safety	1,688,758	39,310	144,673	-	(1,504,775)
Highways and streets	982,695	21,250	484,504	-	(476,941)
Recreation and cultural	276,104	91,643	100	-	(184,361)
Interest on long-term debt	102,288	-	12,000	-	(90,288)
Total governmental activities	<u>3,695,891</u>	<u>510,163</u>	<u>647,674</u>	<u>65,284</u>	<u>(2,472,770)</u>
Business-type activities:					
Water and sewer	<u>2,449,594</u>	<u>2,135,176</u>	<u>-</u>	<u>-</u>	<u>(314,418)</u>
Total primary government	<u>\$ 6,145,485</u>	<u>\$ 2,645,339</u>	<u>\$ 647,674</u>	<u>\$ 65,284</u>	<u>\$ (2,787,188)</u>
<b>Component units</b>					
Emergency services	\$ 1,108,307	\$ 266,198	\$ 405,787	\$ -	\$ (436,322)
Economic development	<u>664,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(664,824)</u>
Total component units	<u>\$ 1,773,131</u>	<u>\$ 266,198</u>	<u>\$ 405,787</u>	<u>\$ -</u>	<u>\$ (1,101,146)</u>

continued...

**City of Grand Ledge, Michigan**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2006**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (2,472,770)	\$ (314,418)	\$ (2,787,188)	\$ (1,101,146)
General revenues:				
Property taxes	2,058,812	-	2,058,812	1,309,422
Grants and contributions not restricted to specific programs	751,524	-	751,524	9,745
Unrestricted investment earnings	91,364	214,767	306,131	26,948
Gain on sale of capital assets	1,850	-	1,850	-
Transfers - internal activities	-	-	-	-
Total general revenues and transfers	2,903,550	214,767	3,118,317	1,346,115
Change in net assets	430,780	(99,651)	331,129	244,969
Net assets (deficit), beginning of year	8,135,796	8,202,663	16,338,459	(2,060,119)
<b>Net assets (deficit), end of year</b>	<b>\$ 8,566,576</b>	<b>\$ 8,103,012</b>	<b>\$ 16,669,588</b>	<b>\$ (1,815,150)</b>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

**City of Grand Ledge, Michigan**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	<u>General</u>	<u>Local Street</u>	<u>2004 Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 84,455	\$ 73,819	\$ -	\$ 1,123,789	\$ 1,282,063
Receivables:					
Taxes	11,706	-	-	4,681	16,387
Special assessments	-	-	-	58,820	58,820
Accounts	10,215	1,716	-	5,374	17,305
Note	-	-	-	42,419	42,419
Interfund receivable	216,842	-	-	-	216,842
Due from other governments	143,438	21,213	-	80,004	244,655
<b><u>TOTAL ASSETS</u></b>	<u>\$ 466,656</u>	<u>\$ 96,748</u>	<u>\$ -</u>	<u>\$ 1,315,087</u>	<u>\$ 1,878,491</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 27,463	\$ 1,038	\$ -	\$ 49,159	\$ 77,660
Salaries payable	33,565	2,198	-	14,123	49,886
Interfund payable	-	-	-	24,120	24,120
Deferred revenue	11,706	-	-	63,502	75,208
Total liabilities	<u>72,734</u>	<u>3,236</u>	<u>-</u>	<u>150,904</u>	<u>226,874</u>
<b>Fund balances</b>					
Unreserved:					
Designated for subsequent year	-	-	-	258,125	258,125
Undesignated	393,922	93,512	-	-	487,434
Undesignated, reported in nonmajor:					
Special revenue funds	-	-	-	613,013	613,013
Debt service funds	-	-	-	8,695	8,695
Capital projects fund	-	-	-	207,559	207,559
Permanent fund	-	-	-	76,791	76,791
Total fund balances	<u>393,922</u>	<u>93,512</u>	<u>-</u>	<u>1,164,183</u>	<u>1,651,617</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 466,656</u>	<u>\$ 96,748</u>	<u>\$ -</u>	<u>\$ 1,315,087</u>	<u>\$ 1,878,491</u>

The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge, Michigan**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2006**

<b>Fund balances - total governmental funds</b>	<b>\$ 1,651,617</b>
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	11,581,889
Deduct - accumulated depreciation	(2,664,295)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	358,959
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred special assessments	58,820
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and purchase agreements payable	(2,197,654)
Add - unamortized discount on bonds	14,575
Add - unamortized bond issuance costs	23,676
Deduct - accrued interest on bonds payable	(31,366)
Deduct - compensated absences	(229,645)
	(229,645)

<b>Net assets of governmental activities</b>	<b>\$ 8,566,576</b>
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The accompanying notes are an integral part of these financial statements.



**City of Grand Ledge, Michigan**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	<b>General</b>	<b>Local Street</b>	<b>2004 Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Totals Governmental Funds</b>
<b>Revenue</b>					
Taxes	\$ 1,449,572	\$ -	\$ -	\$ 550,420	\$ 1,999,992
Licenses and permits	183,319	-	-	-	183,319
Intergovernmental	824,484	128,986	-	409,104	1,362,574
Charges for services	10,664	-	-	100,227	110,891
Fines and forfeitures	17,480	-	-	-	17,480
Investment income	31,700	5,896	2,747	53,641	93,984
Other	66,482	6,981	-	149,634	223,097
Total revenue	<u>2,583,701</u>	<u>141,863</u>	<u>2,747</u>	<u>1,263,026</u>	<u>3,991,337</u>
<b>Expenditures</b>					
Current:					
General government	429,642	-	-	171,079	600,721
Public safety	1,614,765	-	-	66,270	1,681,035
Highway and streets	71,918	519,882	-	410,100	1,001,900
Recreation and cultural	-	-	-	228,934	228,934
Capital outlay	-	-	489,740	174,895	664,635
Debt service:					
Principal	-	-	-	190,413	190,413
Interest and fiscal charges	-	-	-	95,899	95,899
Total expenditures	<u>2,116,325</u>	<u>519,882</u>	<u>489,740</u>	<u>1,337,590</u>	<u>4,463,537</u>
Revenue over (under) expenditures	<u>467,376</u>	<u>(378,019)</u>	<u>(486,993)</u>	<u>(74,564)</u>	<u>(472,200)</u>
<b>Other financing sources (uses)</b>					
Transfers in	8,027	352,909	-	630,007	990,943
Transfers out	(498,155)	(108,176)	-	(376,585)	(982,916)
Transfers from component units	-	-	-	12,000	12,000
Loan proceeds	-	-	-	155,000	155,000
Proceeds from sale of capital assets	1,850	-	-	-	1,850
Total other financing sources (uses)	<u>(488,278)</u>	<u>244,733</u>	<u>-</u>	<u>420,422</u>	<u>176,877</u>
Net changes in fund balances	<u>(20,902)</u>	<u>(133,286)</u>	<u>(486,993)</u>	<u>345,858</u>	<u>(295,323)</u>
Fund balances, beginning of year	<u>414,824</u>	<u>226,798</u>	<u>486,993</u>	<u>818,325</u>	<u>1,946,940</u>
<b>Fund balances, end of year</b>	<u>\$ 393,922</u>	<u>\$ 93,512</u>	<u>\$ -</u>	<u>\$ 1,164,183</u>	<u>\$ 1,651,617</u>

The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge, Michigan**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2006**

**Net change in fund balances - total governmental funds** **\$ (295,323)**

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	855,224
Add - capital contributions	65,284
Deduct - depreciation expense	(254,485)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - proceeds from the issuance of debt	(194,668)
Add - principal payments on long-term liabilities	190,413

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental and enterprise funds. The net revenue (expense) attributable to those funds is reported with governmental and business-type activities.

Deduct - investment loss from governmental internal service funds	(2,620)
Add - net operating income from governmental activities in internal service funds	42,176
Deduct - transfer out of governmental internal service funds	(8,027)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Add - deferred special assessments	58,820
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest payable on bonds	(6,389)
Deduct - increase in the accrual for compensated absences	(19,625)

**Change in net assets of governmental activities** **\$ 430,780**

The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge, Michigan**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,446,180	\$ 1,446,180	\$ 1,449,572	\$ 3,392
Licenses and permits	148,300	183,300	183,319	19
Intergovernmental	861,161	861,161	824,484	(36,677)
Charges for services	9,500	11,375	10,664	(711)
Fines and forfeitures	20,000	20,000	17,480	(2,520)
Interest	13,000	25,255	31,700	6,445
Other	57,850	57,850	66,482	8,632
Total revenues	2,555,991	2,605,121	2,583,701	(21,420)
<b>Expenditures</b>				
General government				
Legislative	12,270	12,270	9,676	(2,594)
Tax sharing	20,000	20,000	17,922	(2,078)
Cable TV	5,735	25,735	24,239	(1,496)
City administrator	187,765	197,095	191,911	(5,184)
Elections	9,625	9,625	6,992	(2,633)
Auditing	19,400	19,400	19,400	-
Assessing	66,055	66,059	64,506	(1,553)
Attorney	30,500	50,500	43,242	(7,258)
City clerk	91,500	94,425	94,056	(369)
Finance	143,255	143,255	135,302	(7,953)
City hall	88,470	91,785	85,115	(6,670)
Recycling	25,100	25,100	20,482	(4,618)
Other	47,380	63,201	60,496	(2,705)
Less reimbursements	(343,696)	(343,696)	(343,697)	(1)
Total general government	403,359	474,754	429,642	(45,112)
Public safety				
Police	1,201,688	1,245,700	1,220,722	(24,978)
Fire	247,143	204,481	204,481	-
Building inspection	98,600	135,475	131,426	(4,049)
Planning commission	12,075	12,158	9,125	(3,033)
Zoning	30,325	52,365	49,011	(3,354)
Total public safety	1,589,831	1,650,179	1,614,765	(35,414)
Highway and streets				
Street lighting	68,500	68,500	71,918	3,418
Total expenditures	2,061,690	2,193,433	2,116,325	(77,108)
Revenues over (under) expenditures	494,301	411,688	467,376	55,688

**City of Grand Ledge, Michigan**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Other financing sources (uses)</b>				
Transfers in	\$ -	\$ 8,027	\$ 8,027	\$ -
Transfers out	(493,476)	(498,155)	(498,155)	-
Proceeds from sale of capital assets	-	1,850	1,850	-
Total other sources (uses)	<u>(493,476)</u>	<u>(488,278)</u>	<u>(488,278)</u>	<u>-</u>
Net change in fund balance	825	(76,590)	(20,902)	55,688
Fund balance, beginning of year	<u>414,824</u>	<u>414,824</u>	<u>414,824</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 415,649</u></u>	<u><u>\$ 338,234</u></u>	<u><u>\$ 393,922</u></u>	<u><u>\$ 55,688</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge, Michigan**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Local Street**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues</b>				
Intergovernmental	\$ 140,256	\$ 140,256	\$ 128,986	\$ (11,270)
Interest	1,500	1,500	5,896	4,396
Other	2,500	2,500	6,981	4,481
Total revenues	144,256	144,256	141,863	(2,393)
<b>Expenditures</b>				
Highways and streets	388,989	554,879	519,882	(34,997)
Revenues over (under) expenditures	(244,733)	(410,623)	(378,019)	32,604
<b>Other financing sources (uses)</b>				
Transfers in	352,909	352,909	352,909	-
Transfers out	(108,176)	(108,176)	(108,176)	-
Total other financing sources	244,733	244,733	244,733	-
Net change in fund balance	-	(165,890)	(133,286)	32,604
Fund balance, beginning of year	226,798	226,798	226,798	-
<b>Fund balance, end of year</b>	<b>\$ 226,798</b>	<b>\$ 60,908</b>	<b>\$ 93,512</b>	<b>\$ 32,604</b>

The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge, Michigan**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

	<u>Business-type Activities</u> <u>Water and Sewer Enterprise Fund</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 569,732	\$ 178,405
Cash on deposit with Eaton County	3,506,506	-
Accounts receivable	464,080	1,850
Advances to component unit	192,904	-
Prepaid items	-	28,123
Unamortized bond issuance costs	135,091	-
Total current assets	<u>4,868,313</u>	<u>208,378</u>
Noncurrent assets:		
Capital assets, net	<u>12,041,680</u>	<u>387,963</u>
Total assets	<u>16,909,993</u>	<u>596,341</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	172,966	8,002
Salaries payable	12,593	584
Interfund payable	-	192,722
Accrued interest payable	89,497	-
Accrued compensated absences	9,102	429
Bonds and leases payable, current portion	355,000	-
Total current liabilities	<u>639,158</u>	<u>201,737</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	66,750	3,144
Bonds and leases payable, net of current portion	8,133,574	-
Total noncurrent liabilities	<u>8,200,324</u>	<u>3,144</u>
Total liabilities	<u>8,839,482</u>	<u>204,881</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	7,059,613	387,963
Unrestricted	<u>1,010,898</u>	<u>3,497</u>
	<u>\$ 8,070,511</u>	<u>\$ 391,460</u>

The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge, Michigan**  
**Reconciliation of Net Assets on the Statement of**  
**Net Assets for the Enterprise Fund to Net Assets of**  
**Business-type Activities on the Statement of Net Assets**  
**June 30, 2006**

<b>Net assets - enterprise fund</b>	\$ 8,070,511
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Amounts reported for *business-type activities* in the statement of net assets are different because:

An internal service fund is used by management to charge the costs of certain services to individual governmental and enterprise funds. The net revenue (expense) of the internal service fund is allocated to governmental and and business-type activities.

Add - cumulative portion of internal service fund net income attributed to business-type activities	32,501
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<b>Net assets of business-type activities</b>	<u><u>\$ 8,103,012</u></u>
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The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge, Michigan**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water and Sewer Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Operating revenues</b>		
Charges for services:		
Water operations	\$ 1,101,723	\$ -
Sewer operations	1,033,453	-
Internal operations	-	899,329
Other revenue	-	4,752
Total operating revenues	<u>2,135,176</u>	<u>904,081</u>
<b>Operating expenses</b>		
Personnel	751,908	719,084
Repair and maintenance	352,927	41,576
Utilities	110,402	4,822
Other	463,650	31,239
Depreciation	440,731	46,193
Total operating expenses	<u>2,119,618</u>	<u>842,914</u>
Operating income	<u>15,558</u>	<u>61,167</u>
<b>Non-operating revenue (expense)</b>		
Investment income (loss)	214,767	(2,620)
Interest expense	(341,101)	-
Loss on sale of capital assets	(7,866)	-
Total non-operating expense	<u>(134,200)</u>	<u>(2,620)</u>
Income before transfers	(118,642)	58,547
<b>Transfers out</b>	<u>-</u>	<u>(8,027)</u>
Change in net assets	(118,642)	50,520
Net assets, beginning of year, as restated	<u>8,189,153</u>	<u>340,940</u>
<b>Net assets, end of year</b>	<u><u>\$ 8,070,511</u></u>	<u><u>\$ 391,460</u></u>

The accompanying notes are an integral part of these financial statements.



**City of Grand Ledge, Michigan**  
**Reconciliation of the Statement of Revenues, Expenses**  
**and Change in Fund Net Assets of the Enterprise Fund**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2006**

<b>Change in net assets - enterprise fund</b>	\$ (118,642)
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Amounts reported for *business-type activities* in the statement of activities are different because:

An internal service fund is used by management to charge the costs of certain services to individual governmental and enterprise funds. The net revenue (expense) of the internal service fund is allocated to governmental and and business-type activities.

Add - operating income from internal service fund related to enterprise fund	<u>18,991</u>
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<b>Change in net assets of business-type activities</b>	<u><u>\$ (99,651)</u></u>
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The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge, Michigan**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water and Sewer Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 2,354,338	\$ -
Cash received from interfund services	-	1,058,365
Cash payments to suppliers for goods and services	(1,348,856)	(718,292)
Cash payments to employees	(473,022)	(83,017)
Cash payments for interfund services	(267,763)	-
	<u>264,697</u>	<u>257,056</u>
<b>Cash flows from non-capital financing activities</b>		
Transfers to other funds	-	(8,027)
	<u>-</u>	<u>(8,027)</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets	(2,433,215)	(159,085)
Long-term debt principal payments	(365,000)	-
Interest payments on long-term debt	(330,177)	-
	<u>(3,128,392)</u>	<u>(159,085)</u>
<b>Cash flows from investing activities</b>		
Interest on investments	214,767	(2,620)
	<u>214,767</u>	<u>(2,620)</u>
Net increase in cash and cash equivalents	(2,648,928)	87,324
<b>Cash and cash equivalents:</b>		
Beginning of year	6,725,166	91,081
	<u>6,725,166</u>	<u>91,081</u>
<b>End of year</b>	<u>\$ 4,076,238</u>	<u>\$ 178,405</u>
<b>Reconciliation of cash and cash equivalents per Statement of Net Assets:</b>		
Cash and cash equivalents	\$ 569,732	\$ 178,405
Cash on deposit with Eaton County	3,506,506	-
	<u>\$ 4,076,238</u>	<u>\$ 178,405</u>

Continued...

**City of Grand Ledge, Michigan**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<u>Business-type Activities Water and Sewer Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 15,558	\$ 61,167
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	440,731	46,193
Change in assets and liabilities:		
Accounts receivable	219,162	(261)
Prepaid expenses	-	5,894
Accounts payable	(421,877)	(13,020)
Salaries payable	4,287	(953)
Interfund payable	-	159,036
Accrued compensated absences	6,836	(1,000)
<b>Net cash provided by operating activities</b>	<u><u>\$ 264,697</u></u>	<u><u>\$ 257,056</u></u>
 <b>Non-Cash</b>		
Capital contributions	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge, Michigan**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2006**

	<u><b>Total</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 20,599
Receivables	<u>2,641</u>
Total assets	<u><u>\$ 23,240</u></u>
 <b>Liabilities</b>	
Accounts payable	\$ 530
Undistributed receipts	<u>22,710</u>
Total liabilities	<u><u>\$ 23,240</u></u>

The accompanying notes are an integral part of these financial statements.

**COMPONENT UNITS  
FINANCIAL STATEMENTS**

**City of Grand Ledge, Michigan**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2006**

	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>	<b>Grand Ledge Area Emergency Services Authority</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 265,755	\$ (219,858)	\$ 676,984	\$ 722,881
Receivables	-	-	48,607	48,607
Prepaid items and other assets	-	-	2,885	2,885
Capital assets not being depreciated	116,132	2,692,412	351,366	3,159,910
Capital assets being depreciated, net	1,070,114	-	701,655	1,771,769
<b>Total assets</b>	<u>1,452,001</u>	<u>2,472,554</u>	<u>1,781,497</u>	<u>5,706,052</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	44,148	195,628	42,828	282,604
Accrued interest payable	28,732	44,082	30,521	103,335
Unearned revenue	-	-	440,569	440,569
Long-term liabilities:				
Due within one year	340,700	124,898	99,117	564,715
Due in more than one year	3,392,150	1,966,448	771,381	6,129,979
<b>Total liabilities</b>	<u>3,805,730</u>	<u>2,331,056</u>	<u>1,384,416</u>	<u>7,521,202</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	156,246	601,066	235,954	993,266
Restricted for:				
Debt service	21,268	-	-	21,268
Capital projects	199,975	-	-	199,975
Unrestricted (deficit)	(2,731,218)	(459,568)	161,127	(3,029,659)
<b>Total net assets (deficit)</b>	<u>\$ (2,353,729)</u>	<u>\$ 141,498</u>	<u>\$ 397,081</u>	<u>\$ (1,815,150)</u>

The accompanying notes are an integral part of these financial statements.

**City of Grand Ledge, Michigan**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2006**

	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>	<b>Grand Ledge Area Emergency Services Authority</b>	<b>Total</b>
<b>Expenses</b>				
Emergency services	\$ -	\$ -	\$ 1,056,928	\$ 1,056,928
Economic development	361,053	39,669	-	400,722
Interest on long-term debt	184,269	79,833	51,379	315,481
Total expenses	545,322	119,502	1,108,307	1,773,131
<b>Program revenues</b>				
Charges for services	-	-	266,198	266,198
Operating grants and contributions	-	-	405,787	405,787
Total program revenues	-	-	671,985	671,985
Net program revenues (expense)	(545,322)	(119,502)	(436,322)	(1,101,146)
<b>General revenues</b>				
Property taxes	858,624	10,229	440,569	1,309,422
Grants and contributions not restricted to specific programs	9,745	-	-	9,745
Unrestricted investment earnings	22,263	(6,541)	11,226	26,948
Total general revenues	890,632	3,688	451,795	1,346,115
Change in net assets	345,310	(115,814)	15,473	244,969
Net assets (deficit), beginning of year	(2,699,039)	257,312	381,608	(2,060,119)
<b>Net assets (deficit), end of year</b>	<b>\$ (2,353,729)</b>	<b>\$ 141,498</b>	<b>\$ 397,081</b>	<b>\$ (1,815,150)</b>

The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS



# CITY OF GRAND LEDGE, MICHIGAN

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### Notes to the Financial Statements

June 30, 2006

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# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

The City of Grand Ledge, Michigan is a municipal corporation governed by a seven-member council and administered by an appointed City Administrator. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The government has no blended component units; the discretely presented component units have June 30 year-ends.

##### Discretely presented component units.

The City of Grand Ledge Downtown Development Authority (DDA) was established under Public Act 197 of 1975 to revitalize and plan for controlled development of the downtown business district. The government's council appoints the members of the DDA's governing board. The DDA is also fiscally dependent upon the City because the government's council approves the DDA's budget and any debt issuances. Financial statements for the DDA may be obtained from the City of Grand Ledge.

The City of Grand Ledge Local Development Finance Authority (LDFA) was established under Public Act 281 of 1986 to preserve and promote the continued growth of the City and the LDFA district. The government's council appoints the members of the LDFA's governing board. The LDFA is also fiscally dependent upon the City because the government's council approves the LDFA's budget and any debt issuances.

The activities of the LDFA are accounted for in a single fund; accordingly, separate financial statements are not issued for it.

The Grand Ledge Area Emergency Services Authority (GLAESA) was established on October 1, 2001 under the provisions of Public Act 57 of 1988 to provide fire protection and rescue services within the boundaries of the City of Grand Ledge and the Township of Oneida (the incorporating municipalities). GLAESA is governed by a five-member board consisting of three members appointed by the City and two by the Township. GLAESA relies on funding for its operations from the City and Township. Financial statements for GLAESA may be obtained by writing the Authority at 500 North Clinton Street, Grand Ledge, Michigan 48837.

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

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### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

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For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *local street fund* accounts for the maintenance of all local streets; revenues are derived primarily from Public Act 51 gas and weight tax monies shared by the State of Michigan.

The *2004 capital improvement fund* accounts for the proceeds of certain bond issues and the expenditure of those monies on capital projects.

The government reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the government reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

*Debt service funds.* These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital projects fund.* This fund accounts for the acquisition or construction of major capital projects not being financed by proprietary funds.

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

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*Permanent fund.* This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

*Internal service funds.* These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes equipment management and employee medical management services.

*Agency funds.* These funds account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater and water enterprise fund and of the government's internal service funds are charges to customers for sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

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### D. Assets, liabilities and net assets/equity

#### 1. *Deposits and investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

Investments, if any, are reported at fair value.

#### 2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

#### 3. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### 4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and plants	20-40
Public domain infrastructure	50
System infrastructure	50
Vehicles	5-10
Equipment	3-15

### 5. *Compensated absences*

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate an unlimited amount of sick leave, which is paid only upon illness while in the employ of the City or upon retirement. Payment for sick leave upon retirement is capped at \$5,000 to \$7,500. Earned vacation time may be accumulated for up to two years. Employees are only paid for unused vacation at the time of termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### 6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# **CITY OF GRAND LEDGE, MICHIGAN**

## **Notes to the Financial Statements**

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### **7. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Prior to the first regular Council meeting in April, the budget officer submits to the Council a proposed budget for the fiscal year beginning the following July 1. A public hearing is then conducted to obtain citizen comments. No later than the first Council meeting in June, the budget is required to be legally enacted through passage of a resolution.

The budget for the General Fund is adopted at the department level; all other budgets are adopted on a functional level. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders, contracts) outstanding at year-end, if any, are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

### **B. Excess of expenditures over appropriations**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2006, the government had the following expenditures in excess of the amounts appropriated at the legal level of budgetary control:



# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

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	<u>Amended Budget</u>	<u>Actual</u>	<u>Over Budget</u>
<b>General fund -</b>			
Highways and streets	\$ 68,500	\$ 71,918	\$ (3,418)
<b>Nonmajor special revenue funds:</b>			
Municipal street fund -			
Highways and streets	54,382	54,622	(240)
Drug forfeiture fund -			
Public safety	5,650	5,741	(91)
Airport development fund -			
General government	32,948	35,148	(2,200)

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

At year-end, the carrying amounts of deposits for the City and component units were \$2,050,194 and \$722,881, respectively. The combined bank balance was \$2,889,687. Of the bank balance, \$400,000 was covered by federal depository insurance. The remaining balance of \$2,489,687 was uninsured and uncollateralized, and therefore exposed to custodial credit risk.

The cash on deposit with Eaton County is pooled with other County funds, and therefore, the amount of these funds exposed to custodial credit risk cannot be determined.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the government evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year-end, neither the City nor its component units had any investments.

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

	<b><u>Primary Government</u></b>	<b><u>Component Units</u></b>
<b>Cash and cash equivalents</b>		
Statement of Net Assets	\$ 5,536,706	\$ 722,881
Statement of Fiduciary Net Assets	<u>20,599</u>	<u>-</u>
	<b><u>\$ 5,557,305</u></b>	<b><u>\$ 722,881</u></b>
	<b><u>Primary Government</u></b>	<b><u>Component Units</u></b>
Bank deposits (checking accounts)	\$ 2,050,194	\$ 722,881
Cash on deposit with Eaton County	3,506,506	-
Cash on hand	<u>605</u>	<u>-</u>
	<b><u>\$ 5,557,305</u></b>	<b><u>\$ 722,881</u></b>

### B. Receivables

Receivables in the governmental activities are 64 percent due from other governments and 36 percent other receivables. Business-type activities receivables are composed entirely of amounts due from customers.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<b><u>Unavailable</u></b>	<b><u>Unearned</u></b>	<b><u>Total</u></b>
Deferred revenue reported by the government's special revenue funds	<b><u>\$ 58,820</u></b>	<b><u>\$ 16,388</u></b>	<b><u>\$ 75,208</u></b>

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

### C. Capital assets

Capital assets activity for the year ended June 30, 2006 was as follows:

#### Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,162,549	\$ 157,135	\$ -	\$ 1,319,684
Capital assets, being depreciated:				
Land improvements	1,665,350	-	-	1,665,350
Buildings	1,939,740	-	-	1,939,740
Equipment	961,035	242,615	(124,055)	1,079,595
Infrastructure	5,657,946	679,843	-	6,337,789
Total capital assets being depreciated	<u>10,224,071</u>	<u>922,458</u>	<u>(124,055)</u>	<u>11,022,474</u>
Less accumulated depreciation for:				
Land improvements	(189,690)	(41,811)	-	(231,501)
Buildings	(676,584)	(57,576)	-	(734,160)
Equipment	(644,059)	(74,535)	124,055	(594,539)
Infrastructure	(1,349,645)	(126,756)	-	(1,476,401)
Total accumulated depreciation	<u>(2,859,978)</u>	<u>(300,678)</u>	<u>124,055</u>	<u>(3,036,601)</u>
Total capital assets, being depreciated, net	<u>7,364,093</u>	<u>621,780</u>	<u>-</u>	<u>7,985,873</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 8,526,642</u></b>	<b><u>\$ 778,915</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,305,557</u></b>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 466,213	\$ -	\$ -	\$ 466,213
Capital assets, being depreciated:				
Buildings and systems	14,589,971	2,418,281	-	17,008,252
Equipment	927,381	14,934	(16,004)	926,311
Total capital assets being depreciated	<u>15,517,352</u>	<u>2,433,215</u>	<u>(16,004)</u>	<u>17,934,563</u>
Less accumulated depreciation for:				
Buildings and systems	(5,275,707)	(373,167)	-	(5,648,874)
Equipment	(650,796)	(67,564)	8,138	(710,222)
Total accumulated depreciation	<u>(5,926,503)</u>	<u>(440,731)</u>	<u>8,138</u>	<u>(6,359,096)</u>
Total capital assets, being depreciated, net	<u>9,590,849</u>	<u>1,992,484</u>	<u>(7,866)</u>	<u>11,575,467</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$10,057,062</u></b>	<b><u>\$ 1,992,484</u></b>	<b><u>\$ (7,866)</u></b>	<b><u>\$12,041,680</u></b>

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 37,360
Public safety	22,105
Highways, including depreciation of general infrastructure assets	147,499
Parks and recreation	47,521
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>46,193</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 300,678</u></b>
Business-type activities -	
Water and sewer	<b><u>\$ 440,731</u></b>

### **Discretely presented component units**

Capital assets activity for the discretely presented component units for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Downtown Development Authority</b>				
Capital assets, not being depreciated:				
Land	<u>\$ 48,892</u>	<u>\$ 67,240</u>	<u>\$ -</u>	<u>\$ 116,132</u>
Capital assets, being depreciated:				
Land improvements	1,244,603	-	-	1,244,603
Less accumulated depreciation for:				
Land improvements	<u>(124,705)</u>	<u>(49,784)</u>	<u>-</u>	<u>(174,489)</u>
Total capital assets, being depreciated, net	<u>1,119,898</u>	<u>(49,784)</u>	<u>-</u>	<u>1,070,114</u>
<b>DDA capital assets, net</b>	<b><u>\$ 1,168,790</u></b>	<b><u>\$ 17,456</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,186,246</u></b>
<b>Local Development Finance Authority</b>				
Capital assets, not being depreciated:				
Land	<u>\$ 2,692,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,692,412</u>

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Grand Ledge Area Emergency Services Authority</b>				
Capital assets, not being depreciated:				
Land	\$ -	\$ 351,366	\$ -	\$ 351,366
Capital assets, being depreciated:				
Equipment	1,150,827	6,826	-	1,157,653
Less accumulated depreciation for:				
Equipment	(341,430)	(114,568)	-	(455,998)
Total capital assets, being depreciated, net	809,397	(107,742)	-	701,655
<b>GLAESA capital assets, net</b>	<b>\$ 809,397</b>	<b>\$ 243,624</b>	<b>\$ -</b>	<b>\$ 1,053,021</b>

### D. Payables

Payables in the governmental activities are 63 percent vendors and 37 percent payroll and deposits. Business-type activities payables are 93 percent vendors and 7 percent payroll and deposits.

### E. Interfund transfers

For the year ended June 30, 2006, interfund transfers consisted of the following:

	<u>Transfer From:</u>				
	<u>General Fund</u>	<u>Local Street Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
<b><u>Transfer To:</u></b>					
General fund	\$ -	\$ -	\$ -	\$ 8,027	\$ 8,027
Local street fund	112,909	-	240,000	-	352,909
Nonmajor governmental	385,246	108,176	136,585	-	630,007
<b>Total</b>	<b>\$ 498,155</b>	<b>\$ 108,176</b>	<b>\$ 376,585</b>	<b>\$ 8,027</b>	<b>\$ 990,943</b>

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### F. Long-term debt

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities as well as the component units. The original amount of general obligation bonds issued in prior years for the governmental activities debt listed below was \$4,439,721.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>		
1997 drain	6.27%	\$ 117,044
1997 drain	6.27%	56,222
2001 drain	5.0-5.3%	262,376
2001 bridge improvement	4.1-6.0%	350,000
2004 capital improvement	2.5-3.6%	990,000
2006 drain	5.28%	36,960
		<u><u>\$ 1,812,602</u></u>
<b>Discretely presented component units</b>		
<b>DDA</b>		
1998 refunding	3.9-4.850%	\$ 2,535,000
2001 parking lot	4.0-4.875%	1,030,000
<b>LDFA</b>		
2001 transportation	4.83%	205,000
2002 capital improvement	5.0-7.0%	455,000
		<u><u>\$ 4,225,000</u></u>

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

<b>Year Ended June 30</b>	<b>Governmental Activities</b>		<b>Component Units</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2007	\$ 159,315	\$ 76,540	\$ 355,000	\$ 196,597
2008	164,315	69,724	370,000	180,972
2009	169,315	62,975	390,000	164,494
2010	169,316	55,742	390,000	147,012
2011	179,316	48,494	390,000	129,361
2012-2016	795,465	134,486	1,660,000	375,486
2017-2021	145,560	30,476	590,000	109,297
2022-2023	30,000	1,544	80,000	4,390
	<b><u>\$ 1,812,602</u></b>	<b><u>\$ 479,981</u></b>	<b><u>\$ 4,225,000</u></b>	<b><u>\$ 1,307,609</u></b>

*Revenue bonds.* The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years for the item listed below was \$2,825,192. No revenue bonds were issued during the current year. Revenue bonds outstanding at year end are as follows:

<b><u>Purpose</u></b>	<b><u>Interest Rates</u></b>	<b><u>Amount</u></b>
<b>Business-type activities</b>		
1992 water	2.0%	<b><u>\$ 600,000</u></b>

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

Revenue bond debt service requirements to maturity are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>
2007	\$ 80,000	\$ 12,000
2008	80,000	10,400
2009	85,000	8,800
2010	85,000	7,100
2011	90,000	5,400
2012-2013	<u>180,000</u>	<u>5,400</u>
	<u><b>\$ 600,000</b></u>	<u><b>\$ 49,100</b></u>

**Capital lease.** During fiscal 2005, the government entered into a capital lease agreement with Eaton County for \$7,975,000 pursuant to the issuance of revenue and refunding bonds on behalf of the City by the County. The government pledges income derived from its water and sewer operations to pay debt service. Upon retirement of the underlying bonded debt, title to the capital assets will pass from the County to the City.

<b><u>Purpose</u></b>	<b><u>Interest Rates</u></b>	<b><u>Amount</u></b>
<b>Business-type activities</b>		
2005 Eaton County revenue/refunding bond	3.5-5.0%	<u><b>\$ 7,690,000</b></u>
<b>Component units</b>		
GLAESA		
2004 ambulances		<u><b>\$ 193,692</b></u>



# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

Annual debt service requirements to maturity for capital leases are as follows:

<b>Year Ended June 30</b>	<b>Business-type Activities</b>		<b>Component Units</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2007	\$ 275,000	\$ 345,988	\$ 27,854	\$ 11,383
2008	280,000	334,988	29,491	9,746
2009	280,000	325,188	31,225	8,013
2010	290,000	315,386	33,060	6,178
2011	300,000	305,238	35,002	4,235
2012-2016	1,785,000	1,326,236	37,060	2,178
2017-2021	2,270,000	853,562	-	-
2022-2025	2,210,000	252,245	-	-
	<b><u>\$ 7,690,000</u></b>	<b><u>\$ 4,058,831</u></b>	<b><u>\$ 193,692</u></b>	<b><u>\$ 41,733</u></b>

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

**Purchase agreements.** The government has entered into various installment purchase agreements for the acquisition of real property and equipment. The original amount of these obligations for the primary government was \$605,345. One new purchase agreement amounting to \$155,000 was entered into during the current year.

<b>Purpose</b>	<b>Interest Rates</b>	<b>Amount</b>
<b>Governmental activities</b>		
1998 purchase contract (River Street)	5.19%	\$ 20,300
2001 purchase contract (Osmer Property)	5.20%	167,334
2001 loan (Cemetery)	6.00%	42,418
2006 purchase contract (River Street)	4.20%	155,000
		<u><u>\$ 385,052</u></u>
<b>Component units</b>		
<b>DDA</b>		
1998 purchase contract (Larson)	5.0%	\$ 59,150
1998 purchase contract (Kingroy)	5.0%	108,700
<b>LDFA</b>		
1998 purchase agreement (Olinger Property)	4.62%	49,600
2001 loan (Installment)	5.0%	63,502
2001 loan (State of Michigan)	0.0%	466,666
2002 purchase agreement (Willis Property)	5.24%	851,578
<b>GLAESA</b>		
Fire apparatus	4.76%	273,375
Land	4.88%	350,000
		<u><u>\$ 2,222,571</u></u>

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

Annual debt service requirements to maturity for purchase agreements are as follows:

Year Ended June 30	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2007	\$ 46,913	\$ 18,682	\$ 165,910	\$ 80,287
2008	181,362	16,279	1,022,077	75,423
2009	21,228	6,849	175,161	33,202
2010	21,883	5,755	170,145	37,889
2011	10,333	4,622	164,663	23,201
2012-2016	51,668	16,527	308,697	70,507
2017-2021	51,665	5,289	95,161	43,838
2022-2026	-	-	120,757	18,241
	<u>\$ 385,052</u>	<u>\$ 74,003</u>	<u>\$ 2,222,571</u>	<u>\$ 382,588</u>

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government</b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 1,927,317	\$ 39,600	\$ 154,315	\$ 1,812,602	\$ 159,315
Purchase agreements	266,083	155,000	36,031	385,052	46,913
Compensated absences	214,593	188,246	169,622	233,217	27,986
Deduct deferred amounts for bond issuance costs	(16,045)	-	(1,471)	(14,574)	-
	<u>\$ 2,391,948</u>	<u>\$ 382,846</u>	<u>\$ 358,497</u>	<u>\$ 2,416,297</u>	<u>\$ 234,214</u>
<b>Business-type activities</b>					
Revenue bonds	\$ 680,000	\$ -	\$ 80,000	\$ 600,000	\$ 80,000
Capital leases	7,975,000	-	285,000	7,690,000	275,000
Compensated absences	69,016	61,091	54,254	75,853	9,102
Deduct deferred amounts for:					
Bond issuance premium	264,495	-	13,392	251,103	-
Deferred loss on refunding	(70,039)	-	(17,509)	(52,530)	-
	<u>\$ 8,918,472</u>	<u>\$ 61,091</u>	<u>\$ 415,137</u>	<u>\$ 8,564,426</u>	<u>\$ 364,102</u>

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

<b>Component Units</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>DDA</b>					
General obligation bonds	\$ 3,870,000	\$ -	\$ 305,000	\$ 3,565,000	\$ 320,000
Purchase agreements	187,600	-	19,750	167,850	20,700
	<b>\$ 4,057,600</b>	<b>\$ -</b>	<b>\$ 324,750</b>	<b>\$ 3,732,850</b>	<b>\$ 340,700</b>
<b>LDFA</b>					
General obligation bonds	\$ 695,000	\$ -	\$ 35,000	\$ 660,000	\$ 35,000
Purchase agreements	1,528,225	-	96,879	1,431,346	89,898
	<b>\$ 2,223,225</b>	<b>\$ -</b>	<b>\$ 131,879</b>	<b>\$ 2,091,346</b>	<b>\$ 124,898</b>
<b>GLAESA</b>					
Capital leases	\$ 220,000	\$ -	\$ 26,308	\$ 193,692	\$ 27,854
Purchase agreements	327,101	350,000	53,726	623,375	55,312
Compensated absences	47,835	5,596	-	53,431	15,951
	<b>\$ 594,936</b>	<b>\$ 355,596</b>	<b>\$ 80,034</b>	<b>\$ 870,498</b>	<b>\$ 99,117</b>

For the governmental activities, compensated absences are generally liquidated by the general fund.

# **CITY OF GRAND LEDGE, MICHIGAN**

## **Notes to the Financial Statements**

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### **IV. OTHER INFORMATION**

#### **A. Risk management**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the government carried insurance through various commercial carriers to cover all risks of losses. The government has had no settled claims from these risks that exceeded its commercial coverage in any of the past three fiscal years.

#### **B. Property taxes**

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 30; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Eaton County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for the 2005 levy were assessed and equalized at \$182,943,230 (not including properties subject to Industrial Facilities Tax exemption), representing roughly 50% of estimated current market value. The government's general operating tax rate for fiscal year 2005-06 was 8.1261 mills, with an additional 2.4376 mills for municipal streets and 0.8124 mills for recreation.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Grand Ledge, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

# **CITY OF GRAND LEDGE, MICHIGAN**

## **Notes to the Financial Statements**

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### **C. Other postemployment benefits**

The City provides certain health care benefits for employees who retire. Substantially all employees are eligible for benefits if they reach the age of 55 with at least 25 years of credited service while working for the City. The City pays half of the cost of health insurance premiums for the retiree and his/her dependents with the exception of UAW employees where only the retiree is covered. These benefits terminate when the retiree becomes Medicare-eligible.

City contributions to finance this benefit program are currently on a pay-as-you go basis. There were no City contributions necessary for the year ended June 30, 2006.

### **D. Pension plan**

The City of Grand Ledge Group Pension Plan is a defined contribution pension plan established by the City and administered by an insurance company to provide retirement benefits to all participating full-time employees of the City. Plan provisions and contribution requirements are established and may be amended by the City Council. Employees may contribute up to 15% of their gross earnings to the plan. The City is required to contribute 5% of employee gross earnings and to match 100% of the first 5% and 50% of the next 10% of employee contributions. The City's maximum contribution does not exceed 15%. Employee contributions vest immediately, whereas employer contributions vest at a rate of 20% per year.

The payroll for employees covered by the plan for the year ended June 30, 2006 was \$1,768,818, as compared to the City's total payroll of \$2,145,962. For fiscal 2006, the City's contribution was \$192,023 (or 10.86% of covered payroll). Employee contributions were \$167,843 (or 9.49% of covered payroll).

### **E. Contingent liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

# CITY OF GRAND LEDGE, MICHIGAN

## Notes to the Financial Statements

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### F. State compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees that bear a reasonable relationship to the cost of operating their building departments. The City's fee structure is not intended to fully recover its costs, and accordingly, the operations of the City's building department are accounted for in the General Fund.

For the year ended June 30, 2006, the City's revenue and expenditures related to its building department were as follows:

#### **Revenue**

Building permits	<b><u>\$ 130,857</u></b>
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#### **Expenditures**

Public safety - inspection	<b><u>\$ 131,426</u></b>
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**COMBINING and INDIVIDUAL FUND FINANCIAL  
STATEMENTS and SCHEDULES**



**City of Grand Ledge, Michigan**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

	Special Revenue Funds						ACT 33
	Major Street	Municipal Street	Parks and Recreation	Cemetery	Sidewalk	Drug Forfeiture	Special Assessment
<b><u>ASSETS</u></b>							
<b>Assets</b>							
Cash and cash equivalents	\$ 409,150	\$ 129,049	\$ 178,846	\$ 47,086	\$ 43,070	\$ 13,417	\$ -
Taxes receivable	-	3,511	1,170	-	-	-	-
Special assessments receivable	-	58,820	-	-	-	-	-
Accounts receivable	1,716	-	116	296	3,246	-	-
Notes receivable	-	-	-	-	-	-	-
Due from other governments	53,644	-	-	-	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 464,510</u></b>	<b><u>\$ 191,380</u></b>	<b><u>\$ 180,132</u></b>	<b><u>\$ 47,382</u></b>	<b><u>\$ 46,316</u></b>	<b><u>\$ 13,417</u></b>	<b><u>\$ -</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b>Liabilities</b>							
Accounts payable	\$ 13,023	\$ 5,348	\$ 8,713	\$ 731	\$ 17,604	\$ 78	\$ -
Salaries payable	1,924	854	10,231	1,114	-	-	-
Interfund payable	-	-	-	-	-	-	-
Deferred revenue	-	62,332	1,170	-	-	-	-
Total liabilities	14,947	68,534	20,114	1,845	17,604	78	-
<b>Fund balances</b>							
Designated for subsequent year expenditures	193,209	-	21,585	1,797	28,712	800	-
Unreserved, undesignated	256,354	122,846	138,433	43,740	-	12,539	-
Total fund balances	449,563	122,846	160,018	45,537	28,712	13,339	-
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 464,510</u></b>	<b><u>\$ 191,380</u></b>	<b><u>\$ 180,132</u></b>	<b><u>\$ 47,382</u></b>	<b><u>\$ 46,316</u></b>	<b><u>\$ 13,417</u></b>	<b><u>\$ -</u></b>

Special Revenue Funds			Debt Service Funds			Capital Projects Fund	Permanent Fund	Total
Project D.A.R.E.	Airport Development	Juvenile Justice Grant	Island Bridge	Storm Drain	2004 Capital Improvement	Capital Projects	Cemetery Trust	
\$ 6,553	\$ 33,975	\$ -	\$ 4,244	\$ 2,058	\$ 2,668	\$ 207,559	\$ 46,114	\$ 1,123,789
-	-	-	-	-	-	-	-	4,681
-	-	-	-	-	-	-	-	58,820
-	-	-	-	-	-	-	-	5,374
-	-	-	-	-	-	-	42,419	42,419
-	-	26,360	-	-	-	-	-	80,004
<u>\$ 6,553</u>	<u>\$ 33,975</u>	<u>\$ 26,360</u>	<u>\$ 4,244</u>	<u>\$ 2,058</u>	<u>\$ 2,668</u>	<u>\$ 207,559</u>	<u>\$ 88,533</u>	<u>\$ 1,315,087</u>
\$ -	\$ 1,424	\$ 2,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,159
-	-	-	-	-	-	-	-	14,123
-	-	24,120	-	-	-	-	-	24,120
-	-	-	-	-	-	-	-	63,502
-	1,424	26,358	-	-	-	-	-	150,904
5	-	-	275	-	-	-	11,742	258,125
6,548	32,551	2	3,969	2,058	2,668	207,559	76,791	906,058
<u>6,553</u>	<u>32,551</u>	<u>2</u>	<u>4,244</u>	<u>2,058</u>	<u>2,668</u>	<u>207,559</u>	<u>88,533</u>	<u>1,164,183</u>
<u>\$ 6,553</u>	<u>\$ 33,975</u>	<u>\$ 26,360</u>	<u>\$ 4,244</u>	<u>\$ 2,058</u>	<u>\$ 2,668</u>	<u>\$ 207,559</u>	<u>\$ 88,533</u>	<u>\$ 1,315,087</u>

**City of Grand Ledge, Michigan**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2006**

	<b>Special Revenue Funds</b>						<b>ACT 33</b>
	<b>Major Street</b>	<b>Municipal Street</b>	<b>Parks and Recreation</b>	<b>Cemetery</b>	<b>Sidewalk</b>	<b>Drug Forfeiture</b>	<b>Special Assessment</b>
<b>Revenues</b>							
Taxes	\$ -	\$ 415,572	\$ 134,848	\$ -	\$ -	\$ -	\$ -
Intergovernmental	346,934	-	-	-	-	-	-
Charges for services	-	-	-	75,636	-	-	-
Interest	14,608	9,488	6,588	2,783	1,294	507	91
Other	14,269	8,584	91,743	795	-	15,120	-
Total revenues	375,811	433,644	233,179	79,214	1,294	15,627	91
<b>Expenditures</b>							
General government	-	-	-	135,931	-	-	-
Public safety	-	-	-	-	-	5,741	-
Highways and streets	327,981	54,622	-	-	27,497	-	-
Recreation and culture	-	-	228,934	-	-	-	-
Capital outlay	-	-	157,135	-	-	-	17,760
Debt service:							
Principal	-	16,733	10,150	9,148	-	-	-
Interest	-	9,574	1,607	3,094	-	-	-
Total expenditures	327,981	80,929	397,826	148,173	27,497	5,741	17,760
Revenues over (under) expenditures	47,830	352,715	(164,647)	(68,959)	(26,203)	9,886	(17,669)
<b>Other financing sources (uses)</b>							
Transfers in	65,000	-	20,000	85,972	35,000	-	-
Transfers out	-	(340,000)	(21,085)	-	-	-	-
Transfers from component units	-	-	-	-	-	-	-
Loan proceeds	-	-	155,000	-	-	-	-
Total other financing sources (uses)	65,000	(340,000)	153,915	85,972	35,000	-	-
Net changes in fund balances	112,830	12,715	(10,732)	17,013	8,797	9,886	(17,669)
Fund balances, beginning of year	336,733	110,131	170,750	28,524	19,915	3,453	17,669
<b>Fund balances, end of year</b>	<b>\$ 449,563</b>	<b>\$ 122,846</b>	<b>\$ 160,018</b>	<b>\$ 45,537</b>	<b>\$ 28,712</b>	<b>\$ 13,339</b>	<b>\$ -</b>

Special Revenue Funds			Debt Service Funds			Capital Projects Fund	Permanent Fund	Total
Project D.A.R.E.	Airport Development	Juvenile Justice Grant	Island Bridge	Storm Drain	2004 Capital Improvement	Capital Projects	Cemetery Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 550,420
1,727	-	60,443	-	-	-	-	-	409,104
-	24,591	-	-	-	-	-	-	100,227
197	1,037	-	714	1,412	2,658	7,559	4,705	53,641
-	19,123	-	-	-	-	-	-	149,634
1,924	44,751	60,443	714	1,412	2,658	7,559	4,705	1,263,026
-	35,148	-	-	-	-	-	-	171,079
88	-	60,441	-	-	-	-	-	66,270
-	-	-	-	-	-	-	-	410,100
-	-	-	-	-	-	-	-	228,934
-	-	-	-	-	-	-	-	174,895
-	-	-	15,000	64,382	75,000	-	-	190,413
-	-	-	18,058	30,391	33,175	-	-	95,899
88	35,148	60,441	33,058	94,773	108,175	-	-	1,337,590
1,836	9,603	2	(32,344)	(93,361)	(105,517)	7,559	4,705	(74,564)
-	-	-	21,085	94,774	108,176	200,000	-	630,007
-	-	-	-	-	-	-	(15,500)	(376,585)
-	-	-	12,000	-	-	-	-	12,000
-	-	-	-	-	-	-	-	155,000
-	-	-	33,085	94,774	108,176	200,000	(15,500)	420,422
1,836	9,603	2	741	1,413	2,659	207,559	(10,795)	345,858
4,717	22,948	-	3,503	645	9	-	99,328	818,325
\$ 6,553	\$ 32,551	\$ 2	\$ 4,244	\$ 2,058	\$ 2,668	\$ 207,559	\$ 88,533	\$1,164,183

**City of Grand Ledge, Michigan**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Major Street**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	384,948	384,948	346,934	(38,014)
Charges for services	-	-	-	-
Interest	2,000	2,000	14,608	12,608
Other	2,500	2,500	14,269	11,769
Total revenues	389,448	389,448	375,811	(13,637)
<b>Expenditures</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	435,412	466,012	327,981	(138,031)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	435,412	466,012	327,981	(138,031)
Revenues over (under) expenditures	(45,964)	(76,564)	47,830	124,394
<b>Other financing sources (uses)</b>				
Transfers in	65,000	65,000	65,000	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	65,000	65,000	65,000	-
Net change in fund balance	19,036	(11,564)	112,830	124,394
Fund balance, beginning of year	336,733	336,733	336,733	-
<b>Fund balance, end of year</b>	<b>\$ 355,769</b>	<b>\$ 325,169</b>	<b>\$ 449,563</b>	<b>\$ 124,394</b>

**City of Grand Ledge, Michigan**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Municipal Street**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 413,820	\$ 416,135	\$415,572	\$ (563)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	2,000	2,000	9,488	7,488
Other	9,600	9,600	8,584	(1,016)
Total revenues	425,420	427,735	433,644	5,909
<b>Expenditures</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	62,069	54,382	54,622	240
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	16,734	16,734	16,733	(1)
Interest	9,572	9,574	9,574	-
Total expenditures	88,375	80,690	80,929	239
Revenues over (under) expenditures	337,045	347,045	352,715	5,670
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(330,000)	(340,000)	(340,000)	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	(330,000)	(340,000)	(340,000)	-
Net change in fund balance	7,045	7,045	12,715	5,670
Fund balance, beginning of year	110,131	110,131	110,131	-
<b>Fund balance, end of year</b>	<b>\$ 117,176</b>	<b>\$ 117,176</b>	<b>\$ 122,846</b>	<b>\$ 5,670</b>

**City of Grand Ledge, Michigan**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Parks and Recreation**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 133,600	\$ 133,600	\$ 134,848	\$ 1,248
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	2,250	2,276	6,588	4,312
Other	87,100	87,100	91,743	4,643
Total revenues	222,950	222,976	233,179	10,203
<b>Expenditures</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	259,793	314,443	228,934	(85,509)
Capital outlay	-	160,000	157,135	(2,865)
Debt service:				
Principal	10,150	10,150	10,150	-
Interest	1,581	1,607	1,607	-
Total expenditures	271,524	486,200	397,826	(88,374)
Revenues over (under) expenditures	(48,574)	(263,224)	(164,647)	98,577
<b>Other financing sources (uses)</b>				
Transfers in	20,000	20,000	20,000	-
Transfers out	(33,085)	(33,085)	(21,085)	12,000
Loan proceeds	-	155,000	155,000	-
Total other financing sources (uses)	(13,085)	141,915	153,915	12,000
Net change in fund balance	(61,659)	(121,309)	(10,732)	110,577
Fund balance, beginning of year	170,750	170,750	170,750	-
<b>Fund balance, end of year</b>	<b>\$ 109,091</b>	<b>\$ 49,441</b>	<b>\$ 160,018</b>	<b>\$ 110,577</b>

**City of Grand Ledge, Michigan**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Cemetery**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	86,450	86,450	75,636	(10,814)
Interest	750	750	2,783	2,033
Other	2,000	2,000	795	(1,205)
Total revenues	89,200	89,200	79,214	(9,986)
<b>Expenditures</b>				
General government	151,150	163,480	135,931	(27,549)
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	12,607	9,148	9,148	-
Interest	3,415	3,094	3,094	-
Total expenditures	167,172	175,722	148,173	(27,549)
Revenues over (under) expenditures	(77,972)	(86,522)	(68,959)	17,563
<b>Other financing sources (uses)</b>				
Transfers in	77,972	85,972	85,972	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	77,972	85,972	85,972	-
Net change in fund balance	-	(550)	17,013	17,563
Fund balance, beginning of year	28,524	28,524	28,524	-
<b>Fund balance, end of year</b>	<b>\$ 28,524</b>	<b>\$ 27,974</b>	<b>\$ 45,537</b>	<b>\$ 17,563</b>



**City of Grand Ledge, Michigan**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Sidewalk**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	750	750	1,294	544
Other	-	-	-	-
	<u>30,750</u>	<u>30,750</u>	<u>1,294</u>	<u>(29,456)</u>
Total revenues				
<b>Expenditures</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	54,300	54,300	27,497	(26,803)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>54,300</u>	<u>54,300</u>	<u>27,497</u>	<u>(26,803)</u>
Total expenditures				
Revenues over (under) expenditures	<u>(23,550)</u>	<u>(23,550)</u>	<u>(26,203)</u>	<u>(2,653)</u>
<b>Other financing sources (uses)</b>				
Transfers in	25,000	25,000	35,000	10,000
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>25,000</u>	<u>25,000</u>	<u>35,000</u>	<u>10,000</u>
Total other financing sources (uses)				
Net change in fund balance	1,450	1,450	8,797	7,347
Fund balance, beginning of year	<u>19,915</u>	<u>19,915</u>	<u>19,915</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 21,365</u></u>	<u><u>\$ 21,365</u></u>	<u><u>\$ 28,712</u></u>	<u><u>\$ 7,347</u></u>

**City of Grand Ledge, Michigan**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Drug Forfeiture**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	507	507
Other	600	11,000	15,120	4,120
	<u>600</u>	<u>11,000</u>	<u>15,120</u>	<u>4,120</u>
Total revenues	<u>600</u>	<u>11,000</u>	<u>15,627</u>	<u>4,627</u>
<b>Expenditures</b>				
General government	-	-	-	-
Public safety	600	5,650	5,741	91
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>600</u>	<u>5,650</u>	<u>5,741</u>	<u>91</u>
Revenues over (under) expenditures	<u>-</u>	<u>5,350</u>	<u>9,886</u>	<u>4,536</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	5,350	9,886	4,536
Fund balance, beginning of year	<u>3,453</u>	<u>3,453</u>	<u>3,453</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 3,453</u></u>	<u><u>\$ 8,803</u></u>	<u><u>\$ 13,339</u></u>	<u><u>\$ 4,536</u></u>

**City of Grand Ledge, Michigan**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Act 33 Special Assessment**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	91	91
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>91</u>	<u>91</u>
<b>Expenditures</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	15,140	17,761	17,760	(1)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>15,140</u>	<u>17,761</u>	<u>17,760</u>	<u>(1)</u>
Revenues over (under) expenditures	<u>(15,140)</u>	<u>(17,761)</u>	<u>(17,669)</u>	<u>92</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(15,140)</u>	<u>(17,761)</u>	<u>(17,669)</u>	<u>92</u>
Fund balance, beginning of year	<u>17,669</u>	<u>17,669</u>	<u>17,669</u>	<u>-</u>
<b>Fund balance (deficit), end of year</b>	<u>\$ 2,529</u>	<u>\$ (92)</u>	<u>\$ -</u>	<u>\$ 92</u>

**City of Grand Ledge, Michigan**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Project D.A.R.E.**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,727	1,727	-
Charges for services	-	-	-	-
Interest	300	300	197	(103)
Other	-	-	-	-
	<u>300</u>	<u>2,027</u>	<u>1,924</u>	<u>(103)</u>
Total revenues				
	<u>300</u>	<u>2,027</u>	<u>1,924</u>	<u>(103)</u>
<b>Expenditures</b>				
General government	-	-	-	-
Public safety	500	2,227	88	(2,139)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>500</u>	<u>2,227</u>	<u>88</u>	<u>(2,139)</u>
Total expenditures				
	<u>500</u>	<u>2,227</u>	<u>88</u>	<u>(2,139)</u>
Revenues over (under) expenditures	<u>(200)</u>	<u>(200)</u>	<u>1,836</u>	<u>2,036</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(200)	(200)	1,836	2,036
Fund balance, beginning of year	<u>4,717</u>	<u>4,717</u>	<u>4,717</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 4,517</u>	<u>\$ 4,517</u>	<u>\$ 6,553</u>	<u>\$ 2,036</u>

**City of Grand Ledge, Michigan**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Airport Development**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	32,500	32,500	24,591	(7,909)
Interest	100	100	1,037	937
Other	-	-	19,123	19,123
	<u>32,600</u>	<u>32,600</u>	<u>44,751</u>	<u>12,151</u>
Total revenues				
<b>Expenditures</b>				
General government	32,948	32,948	35,148	2,200
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>32,948</u>	<u>32,948</u>	<u>35,148</u>	<u>2,200</u>
Total expenditures				
Revenues over (under) expenditures	<u>(348)</u>	<u>(348)</u>	<u>9,603</u>	<u>9,951</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balance	(348)	(348)	9,603	9,951
Fund balance, beginning of year	<u>22,948</u>	<u>22,948</u>	<u>22,948</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 22,600</u>	<u>\$ 22,600</u>	<u>\$ 32,551</u>	<u>\$ 9,951</u>

**City of Grand Ledge, Michigan**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Juvenile Justice Grant**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	70,000	60,443	(9,557)
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>70,000</u>	<u>60,443</u>	<u>(9,557)</u>
Total revenues	<u>-</u>	<u>70,000</u>	<u>60,443</u>	<u>(9,557)</u>
<b>Expenditures</b>				
General government	-	-	-	-
Public safety	-	70,000	60,441	(9,559)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>-</u>	<u>70,000</u>	<u>60,441</u>	<u>(9,559)</u>
Total expenditures	<u>-</u>	<u>70,000</u>	<u>60,441</u>	<u>(9,559)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 2</u></u>

**City of Grand Ledge, Michigan**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2006**

	<u>Equipment Operating</u>	<u>Self - Insurance</u>	<u>Employee Benefit</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 178,405	\$ 178,405
Accounts receivable	1,850	-	-	1,850
Prepaid expense	-	-	28,123	28,123
	<u>1,850</u>	<u>-</u>	<u>206,528</u>	<u>208,378</u>
Total current assets	1,850	-	206,528	208,378
Capital assets, net	<u>387,963</u>	<u>-</u>	<u>-</u>	<u>387,963</u>
Total assets	<u>389,813</u>	<u>-</u>	<u>206,528</u>	<u>596,341</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	2,131	-	5,871	8,002
Salaries payable	584	-	-	584
Interfund payable	192,722	-	-	192,722
Accrued compensated absences, current portion	<u>429</u>	<u>-</u>	<u>-</u>	<u>429</u>
Total current liabilities	195,866	-	5,871	201,737
Noncurrent liabilities -				
Accrued compensated absences, net of current portion	<u>3,144</u>	<u>-</u>	<u>-</u>	<u>3,144</u>
Total liabilities	<u>199,010</u>	<u>-</u>	<u>5,871</u>	<u>204,881</u>
<b>Net assets</b>				
Invested in capital assets	387,963	-	-	387,963
Unrestricted (deficit)	<u>(197,160)</u>	<u>-</u>	<u>200,657</u>	<u>3,497</u>
Unrestricted	<u>\$ 190,803</u>	<u>\$ -</u>	<u>\$ 200,657</u>	<u>\$ 391,460</u>

**City of Grand Ledge, Michigan**  
**Combining Statement of Revenues,**  
**Expenses and Changes in Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2006**

	<u>Equipment Operating</u>	<u>Self - Insurance</u>	<u>Employee Benefit</u>	<u>Total</u>
<b>Operating revenue</b>				
Charges for services	\$ 180,721	\$ -	\$ 718,608	\$ 899,329
Other revenue	<u>4,752</u>	<u>-</u>	<u>-</u>	<u>4,752</u>
Total operating revenue	<u>185,473</u>	<u>-</u>	<u>718,608</u>	<u>904,081</u>
<b>Operating expenses</b>				
Personnel	81,064	-	638,020	719,084
Repair and maintenance	41,576	-	-	41,576
Utilities	4,822	-	-	4,822
Other	31,239	-	-	31,239
Depreciation	<u>46,193</u>	<u>-</u>	<u>-</u>	<u>46,193</u>
Total operating expenses	<u>204,894</u>	<u>-</u>	<u>638,020</u>	<u>842,914</u>
Net operating income (loss)	(19,421)	-	80,588	61,167
<b>Non-operating revenues (expenses)</b>				
Investment income (loss)	<u>(7,019)</u>	<u>292</u>	<u>4,107</u>	<u>(2,620)</u>
Income (loss) before transfers	(26,440)	292	84,695	58,547
<b>Transfers out</b>	<u>-</u>	<u>(8,027)</u>	<u>-</u>	<u>(8,027)</u>
Change in net assets	(26,440)	(7,735)	84,695	50,520
Net assets, beginning of year	<u>217,243</u>	<u>7,735</u>	<u>115,962</u>	<u>340,940</u>
<b>Net assets, end of year</b>	<u>\$ 190,803</u>	<u>\$ -</u>	<u>\$ 200,657</u>	<u>\$ 391,460</u>



**City of Grand Ledge, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2006**

	<u>Equipment Operating</u>	<u>Self - Insurance</u>	<u>Employee Benefit</u>	<u>Total</u>
<b>Cash flows from operating activities</b>				
Receipts from interfund services	\$ 339,757	\$ -	\$ 718,608	\$ 1,058,365
Payments to suppliers/claimants	(90,636)	-	(627,656)	(718,292)
Payments to employees	<u>(83,017)</u>	<u>-</u>	<u>-</u>	<u>(83,017)</u>
Net cash provided by operating activities	<u>166,104</u>	<u>-</u>	<u>90,952</u>	<u>257,056</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers to other funds	<u>-</u>	<u>(8,027)</u>	<u>-</u>	<u>(8,027)</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	<u>(159,085)</u>	<u>-</u>	<u>-</u>	<u>(159,085)</u>
<b>Cash flows from investing activities</b>				
Investment income (loss)	<u>(7,019)</u>	<u>292</u>	<u>4,107</u>	<u>(2,620)</u>
Net increase (decrease) in cash and cash equivalents	-	(7,735)	95,059	87,324
Cash and cash equivalents, beginning of year	<u>-</u>	<u>7,735</u>	<u>83,346</u>	<u>91,081</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 178,405</u></u>	<u><u>\$ 178,405</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ (19,421)	\$ -	\$ 80,588	\$ 61,167
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	46,193	-	-	46,193
Change in assets and liabilities:				
Accounts receivable	(261)	-	-	(261)
Prepaid expense	-	-	5,894	5,894
Accounts payable	(17,490)	-	4,470	(13,020)
Salaries payable	(953)	-	-	(953)
Interfund payable	159,036	-	-	159,036
Accrued compensated absences	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 166,104</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 90,952</u></u>	<u><u>\$ 257,056</u></u>

**City of Grand Ledge, Michigan**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2006**

	<u>Agency Funds</u>			
	<u>Trust &amp; Agency</u>	<u>Current Tax</u>	<u>Payroll Clearing</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 22,702	\$ 8	\$ (2,111)	\$ 20,599
Receivables	-	-	2,641	2,641
<b><u>TOTAL ASSETS</u></b>	<u>\$ 22,702</u>	<u>\$ 8</u>	<u>\$ 530</u>	<u>\$ 23,240</u>
<b><u>LIABILITIES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 530	\$ 530
Undistributed receipts	22,702	8	-	22,710
<b><u>TOTAL LIABILITIES</u></b>	<u>\$ 22,702</u>	<u>\$ 8</u>	<u>\$ 530</u>	<u>\$ 23,240</u>



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



August 24, 2006

To the City Council of the  
City of Grand Ledge  
Grand Ledge, Michigan

We have audited the financial statements of the City of Grand Ledge for the year ended June 30, 2006, and have issued our report thereon dated August 24, 2006. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated July 26, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Grand Ledge. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Grand Ledge are described in Note 1 to the financial statements. No new accounting policies were adopted during the year. We noted no transactions entered into by the City of Grand Ledge during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of Grand Ledge's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City of Grand Ledge, either individually or in the aggregate, indicate matters that could have a significant effect on the City of Grand Ledge's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Grand Ledge's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum is intended for the use of City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

# **City of Grand Ledge**

## **Comments and Recommendations**

**For the Year Ended June 30, 2006**

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During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated August 24, 2006 on the financial statements of the City of Grand Ledge.

### **Internal Controls – Segregation of Duties**

Last year we made a broad comment regarding separation or segregation of duties. That comment is still applicable, but is supplemented with the following specific matters that existed as of August 24, 2006:

- Particular employees may physically receive cash and also prepare/make bank deposits.
- Particular employees may initiate bank transfers and prepare bank reconciliations or have direct access to the general ledger.
- Completed bank reconciliations are not required to be reviewed (and appropriately documented) by an individual other than the preparer.
- Before processing payroll checks, the payroll register and related documents are not reviewed by an authorized individual not involved in the payroll preparation process.
- General journal entries are not reviewed and approved by employee other than the preparer.

While it may be impractical to fully segregate duties relative to the first two bullet points above, it is realistic to expect that measures could be implemented to reasonably address the other points, thereby improving separation of duties and enhancing internal controls.

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